

FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Board of Supervisors

DATE: June 28, 2005

FROM: Anthony H. Griffin
County Executive

AHG

SUBJECT: Federal/State Mandate Information for FY 2005

As noted last year, the Department of Management and Budget initiated a program to annually monitor County spending for federal and state mandates. For purposes of this report, the FY 2005 Adopted Budget Plan was used as the basis for the numbers, and agencies were asked to provide data and related information on what mandates they are required to comply with, and if there is any offsetting revenue.

According to information provided by all agencies and funds, the FY 2005 total program expenditure level impacted by federal and state mandates is \$1,079 million, an increase of \$26 million over FY 2004. The County receives Federal/State/User Fee/Other revenue of \$497 million (a net decrease of \$10 million from last year,) which offsets the expenditures for a net cost to the County for federal/state mandates of \$582 million or 54 percent. This compares with a FY 2004 revenue figure of \$507 million which offset the expenditures for a FY 2004 net cost to the County for federal/state mandates of \$546 million or 52 percent.

Further, it should be noted that excluding Other Funds, which contain Capital Project expenditure and revenue initiatives that will change from year to year, total mandated expenditures increased approximately \$46 million and revenues increased a net \$3 million in only one year. *Clearly, federal/state mandates are costing the County more in expenditures, there is less revenue available to offset those costs, and the net cost to the County is continuing to rise.*

Major changes from last year include:

- ◆ Total mandated expenditures in General Fund agencies increased approximately \$31 million, or 5 percent, primarily in the Public Safety, Human Services and Employee Retirement Benefits areas;
- ◆ Total revenues received by General Fund agencies in support of mandates increased only 3 percent, or \$5 million. Of the revenue increase, 60 percent of it was User Fee and Other Revenue and 40 percent was in federal/state revenue.
- ◆ For General Fund Supported agencies and funds, there is an increase of approximately \$15 million in expenditures, or approximately 6 percent, primarily in Metro operation requirements and a slight overall revenue decrease of \$2 million or 1 percent.
- ◆ For Other Funds, expenditures decreased about \$21 million and revenues decreased about \$13 million. This was due primarily to non-recurring Energy Resource and Recovery and

Refuse Disposal initiatives. These requirements were budgeted in FY 2004 and remaining funds carried into FY 2005; however no new funds were required in FY 2005. Given that capital mandated programs may not be budgeted annually, this fluctuation is not unanticipated.

The following charts illustrate the general findings of the collected data for FY 2005.

	FY 2005 Estimated Total Expenditures for Mandates	FY 2005 Projected Federal/State Revenue for Mandates	FY 2005 Projected User Fee /Other Revenue for Mandates	FY 2005 Total Net Cost of Mandates	Percent of Total Mandated Expenditures Covered by Total Revenue
General Fund	\$637,761,688	\$111,832,706	\$51,481,033	\$474,447,949	26%
General Fund Supported	\$253,176,216	\$68,990,475	\$75,681,864	\$108,503,877	57%
Other Funds ¹	\$187,805,331	\$45,393,344	\$143,822,297	(\$1,410,308)	101%
Total	\$1,078,743,235	\$226,216,525	\$270,985,194	\$581,541,516	46%

¹ It should be noted that the revenue received through the Cable franchise agreements more than offsets mandated expenditures resulting in a positive balance to the County for "Other Fund" mandates.

Further details of the information provided by agencies and funds can be found on "Attachment A - FY 2005 Federal and State Mandates, Detail by Agency". This attachment reflects information for each of the data elements, as provided by agencies and funds, and is based on the FY 2005 Adopted Budget Plan. In addition, please note for expenditure data that many capital construction funds do not receive annual funding, but rather carry over prior year funding to sustain their activities. Many of their efforts in FY 2005 are directed at supporting mandated requirements, however previous year funding is not included in Attachment A, as the FY 2005 Adopted Budget Plan was used as the basis for reporting financial data.

The mandated requirements placed on Fairfax County by the state and federal governments are continuing to increase, as is the cost to meeting those mandates. Mandated activities are being met by using additional County staff and funding resources, while receiving little or no revenue. As has been seen over the last two years, User Fee/Other revenue continues to provide more relief to mandated expenditures than does federal/state revenue. Staff will continue to monitor these issues and explore other opportunities to develop enhanced data collection and information sharing mechanisms.

cc: Edward L. Long, Jr., Chief Financial Officer
Verdia L. Haywood, Deputy County Executive
Robert A. Stalzer, Deputy County Executive
David J. Molchany, Chief Information Officer
Susan W. Datta, Director, Department of Management and Budget